

<b>REPORT REFERENCE NO.</b>	<b>RC/20/7</b>
<b>MEETING</b>	<b>RESOURCES COMMITTEE</b>
<b>DATE OF MEETING</b>	<b>13 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>FINANCIAL PERFORMANCE REPORT 2019-20 – QUARTER 3</b>
<b>LEAD OFFICER</b>	<b>Director of Finance and Resourcing (Treasurer)</b>
<b>RECOMMENDATIONS</b>	<p><i>(a) That the budget transfers shown in Table 3 of this report be approved;</i></p> <p><i>(b) That the monitoring position in relation to projected spending against the 2019-20 revenue and capital budgets be noted;</i></p> <p><i>(c) That the performance against the 2019-20 financial targets be noted.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>This report provides the Committee with the third quarter performance against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2019-20 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.497m less than budget, a saving of 0.66% of total budget.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	Appendix A – Summary of Prudential Indicators 2019-20.
<b>LIST OF BACKGROUND PAPERS</b>	None.

## 1. INTRODUCTION

1.1. This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of December 2019. As well as providing projections of spending against the 2019-20 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2. Table 1 below provides a summary of performance against the key financial targets.

**TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2019-20**

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 3	Previous Quarter	Quarter 3 %	Previous Quarter %
<b>Revenue Targets</b>						
1	Spending within agreed revenue budget	£75.142m	£74.645m	£74.634m	(0.66%)	(0.68%)
2	General Reserve Balance as %age of total budget (minimum)	5.00%	7.19%	7.19%	(2.19)bp*	(2.19)bp*
<b>Capital Targets</b>						
4 3	Spending within agreed capital budget	£8.813m	£2.850m	£6.865m	(33.34%)	(22.10%)
4	External Borrowing within Prudential Indicator limit	£26.847m	£26.556m	£26.556m	(1.08%)	(1.08%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.86%	3.90%	(1.14)bp*	(1.10)bp*

\*bp = base points

1.3. The remainder of the report is split into the three sections of:

- **SECTION A** – Revenue Budget 2019-20.
- **SECTION B** – Capital Budget and Prudential Indicators 2019-20.
- **SECTION C** – Other Financial Indicators.

1.4. Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

## 2. SECTION A - REVENUE BUDGET 2019-20

2.1. Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £74.6453m, representing a saving against the budget of £0.497m equivalent to 0.66% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

**TABLE 2 – REVENUE MONITORING STATEMENT 2019-20**

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY Revenue Budget Monitoring Report 2019/20						
Line No		2019/20 Budget £000	Year To Date Budget £000	Spending to Month 9 £000	Projected Outturn £000	Projected Variance over/ (under) £000
<b>SPENDING</b>						
<b>EMPLOYEE COSTS</b>						
1	Wholetime uniform staff	30,853	23,105	23,524	30,834	(19)
2	On-call firefighters	14,234	10,378	9,859	13,905	(329)
3	Control room staff	1,419	1,063	1,079	1,437	17
4	Professional and Technical Support Staff	11,929	8,941	9,189	12,067	138
5	Training costs	722	579	599	658	(64)
6	Fire Service Pensions recharge	2,458	2,198	1,863	2,453	(5)
		<b>61,615</b>	<b>46,263</b>	<b>46,112</b>	<b>61,353</b>	<b>(262)</b>
<b>PREMISES RELATED COSTS</b>						
7	Repair and maintenance	992	744	755	995	3
8	Energy costs	529	381	246	489	(40)
9	Cleaning costs	471	353	411	464	(7)
10	Rent and rates	1,866	1,675	1,641	1,814	(52)
		<b>3,858</b>	<b>3,153</b>	<b>3,053</b>	<b>3,762</b>	<b>(96)</b>
<b>TRANSPORT RELATED COSTS</b>						
11	Repair and maintenance	629	472	409	614	(15)
12	Running costs and insurances	1,283	1,032	1,287	1,246	(37)
13	Travel and subsistence	1,290	895	1,379	1,413	123
		<b>3,202</b>	<b>2,399</b>	<b>3,074</b>	<b>3,273</b>	<b>71</b>
<b>SUPPLIES AND SERVICES</b>						
14	Equipment and furniture	2,944	2,208	1,841	2,920	(24)
16	Hydrants-installation and maintenance	151	113	83	154	3
17	Communications Equipment	2,333	1,749	1,984	2,413	80
18	Uniforms	601	451	350	582	(19)
19	Catering	56	42	45	60	4
20	External Fees and Services	159	119	182	159	-
21	Partnerships & regional collaborative projects	186	140	1	153	(33)
		<b>6,429</b>	<b>4,822</b>	<b>4,485</b>	<b>6,440</b>	<b>11</b>
<b>ESTABLISHMENT COSTS</b>						
22	Printing, stationery and office expenses	260	206	178	249	(11)
23	Advertising	23	17	21	30	7
24	Insurances	411	401	568	392	(19)
		<b>694</b>	<b>624</b>	<b>767</b>	<b>671</b>	<b>(23)</b>
<b>PAYMENTS TO OTHER AUTHORITIES</b>						
25	Support service contracts	701	493	515	731	30
		<b>701</b>	<b>493</b>	<b>515</b>	<b>731</b>	<b>30</b>
<b>CAPITAL FINANCING COSTS</b>						
26	Capital charges	3,493	572	583	3,526	33
27	Revenue Contribution to Capital spending	2,614	-	-	846	(1,768)
		<b>6,107</b>	<b>572</b>	<b>583</b>	<b>4,372</b>	<b>(1,735)</b>
29	<b>TOTAL SPENDING</b>	<b>82,605</b>	<b>58,327</b>	<b>58,590</b>	<b>80,602</b>	<b>(2,003)</b>
<b>INCOME</b>						
30	Investment income	(271)	(134)	(168)	(272)	(1)
31	Grants and Reimbursements	(8,191)	(4,939)	(5,650)	(8,143)	48
32	Other income	(343)	(219)	(461)	(651)	(308)
34	<b>TOTAL INCOME</b>	<b>(8,805)</b>	<b>(5,291)</b>	<b>(6,279)</b>	<b>(9,067)</b>	<b>(262)</b>
35	<b>NET SPENDING</b>	<b>73,800</b>	<b>53,036</b>	<b>52,311</b>	<b>71,535</b>	<b>(2,265)</b>
<b>TRANSFERS TO EARMARKED RESERVES</b>						
36	Transfer to (from) Earmarked Reserve	1,342	626	(918)	1,342	-
37	Capital Funding	-	-	-	1,768	1,768
		<b>1,342</b>	<b>626</b>	<b>(918)</b>	<b>3,110</b>	<b>1,768</b>
38	<b>NET SPENDING</b>	<b>75,142</b>	<b>53,662</b>	<b>51,394</b>	<b>74,645</b>	<b>(497)</b>

- 2.2. These forecasts are based upon the spending position at the end of December 2019, historical trends, and information from budget managers on known commitments. It should be noted that, whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year e.g. retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.
- 2.3. Explanations of the more significant variations from budget (over £50k variance) are explained below.

### **3. NARRATIVE ON VARIANCES AGAINST BUDGET**

#### ***On-Call Firefighters***

- 3.1. It is anticipated that this line will underspend by £0.329m by the end of the year as a combination of vacancies and activity being lower than budget. Due to the nature of the claims for on-call side of the Service, there is potential for this to change as we progress through the year.

#### ***Professional, Technical and Support Staff***

- 3.2. There is a forecasted overspend against this line of £0.138m. Greater costs associated with Business Safety Advocates (£0.035m) and vehicle allowances being paid directly to staff instead of leasing vehicles (0.078m, please see paragraph 3.5) contributing to the variance.

#### ***Training Expenses***

- 3.3. In- year savings of £0.064m are expected against the budget of £0.722m for Training Expenses. Investment in recently promoted middle managers has been delayed this year resulting in the under spend.

#### ***Rent and Rates***

- 3.4. Is looking to underspend by £0.052m as a result of the delay in the refurbishment at Camels Head, meaning temporary Station accommodation will not be required until the next financial year.

#### ***Travel and subsistence***

- 3.5. Is forecasting to overspend by £0.123m. The overspend is as a result of 2 reasons; the need to extend leases on specialist vehicles which have been delayed whilst purchased 4x4 vehicles are being rolled out. In addition, there is unclaimable VAT on vehicles that can be used for freedom of movement – where staff, if on-call, are able to use their vehicle in the evenings to ensure a quick response if required.

The Service has moved from providing vehicles to staff under a contract car hire scheme to paying a vehicle allowance directly to staff members. When the budget was set for 2019/20, the savings were removed from this budget line but not allocated to Professional, Technical and Support Staff budgets, which is therefore showing an over spend as a result.

#### ***Communications Equipment***

- 3.6. Communications equipment is forecasting to overspend by £0.080m by the end of the year following a decision to invest in a protective marking solution. This investment will enable us to be compliant for the Emergency Services Network code of connection.

### **Revenue Contribution to Capital Spending.**

- 3.7. Due to reduced in-year capital expenditure as reported in Section B of this report, it is forecast that £1.768m of the Revenue Contribution to Capital will not be utilised in 2019-20. The final amount of unutilised budget at year end will be transferred to the Capital funding reserve for use in future years as per the Strategy.

### **Other Income**

- 3.8. Other income is forecasted to over-recover by £0.308m. £0.049m of this is as a result of recovering pay made to a member of staff who also received compensation for loss of earnings from an insurance claim with £0.070m being due to a duplicate creditor entry made at year-end. Numerous initiatives within Departments has also generated additional income with activities such as income for the Apprenticeship Scheme and increased use of the Procurement framework rebates being two examples.
- 3.9. The Committee is asked to authorise the budget virements (transfers between budget lines) shown in Table 3 below for approval. The transfers are reflected in Table 2 - budget monitoring statement.
- 3.10. The addition to the Earmarked Reserve for pensions will allow the Service to pay off the Local Government Pension Scheme deficit for the next 3 years which attracts a 4.5% discount. It also means we can reduce the contribution rate for the following 3 years thus creating savings within the Revenue budget for 2020/21, 2021/22 and 2022/23 years.
- 3.11. There will also be a request to transfer the balance of the Revenue Contribution to Capital Spending at year-end as per paragraph 3.7 of the report.

**TABLE 3 – BUDGET TRANSFERS**

Line Ref	Description	Debit £m	Credit £m
	<i>Creation of Earmarked Reserve to pay off LGPS pension deficit, thus reducing contribution rates going forward.</i>		
5	Decrease Training Expenses		(0.050)
6	Decrease Fire Service Pensions Recharge		(0.200)
8	Decrease Energy Costs		(0.040)
10	Decrease Rent and Rates		(0.043)
30	Increase Investment Income		(0.070)
35	Transfer to Earmarked Reserve	0.403	
		<b>0.403</b>	<b>(0.403)</b>

## **4. RESERVES AND PROVISIONS**

- 4.1. As well as the funds available to the Authority by setting an annual budget, the Authority holds reserve and provision balances. A reserves strategy is published annually which outlines the purpose of each reserve and expected expenditure over the medium term financial planning period. The reserves strategy is available here

<http://www.dsfire.gov.uk/AboutUs/WhatWeSpend/documents/ReservesStrategy2019-20.pdf>

## Reserves

4.2. There two types of Reserves held by the Authority:

*Earmarked Reserves* – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

*General Reserve* – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

## Provisions

4.3. In addition to reserves the Authority may also hold provisions which can be defined as:

*Provisions* – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

4.4. A summary of predicted balances on Reserves and Provisions is shown in Table 4 below. At the end of Quarter 3, reserves expenditure was £3.212m, the majority has been invested in improving the Health and Safety of our staff, with new Breathing Apparatus and Light Weight PPE being delivered this year.

4.5. Reserve balances are expected to reduce over the remainder of the financial year through expenditure on the Safer Together programme and in particular digital transformation. Expenditure from reserves to fund Capital in now expected in 2020-21.

**TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 31 DECEMBER 2019**

RESERVES AND PROVISIONS						
	Balance as at 1 April 2019 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 09 £000	Forecast Spend 2019-20 £000	Proposed Balance as at 31 March 2020 £000
<b>RESERVES</b>						
<b>Earmarked reserves</b>						
Grants unapplied from previous years	(1,145)	939	-	80	149	(57)
Invest to Improve	(5,945)	50	-	878	1,261	(4,634)
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)
Direct Funding to Capital	(19,960)	-	(1,768)	-	-	(21,728)
Projects, risks, & budget carry forwards						
PFI Equalisation	(295)	-	-	-	-	(295)
Emergency Services Mobile Communications Programme	(932)	-	-	51	104	(828)
Breathing Apparatus Replacement	(1,449)	(50)	-	1,478	1,487	(11)
Mobile Data Terminals Replacement	(381)	-	-	93	403	-
PPE & Uniform Refresh	(480)	-	-	398	384	(96)
Pension Liability reserve	(461)	(559)	(403)	-	-	(1,423)
National Procurement Project	(90)	-	-	7	90	-
Budget Carry Forwards	(603)	-	-	227	389	(214)
Station Mobilising Equipment	-	(380)	-	-	-	(380)
<b>Total earmarked reserves</b>	<b>(33,560)</b>	<b>-</b>	<b>(2,171)</b>	<b>3,212</b>	<b>4,267</b>	<b>(31,485)</b>
<b>General reserve</b>						
General Fund balance	(5,315)	-	-	-	-	(5,315)
Percentage of general reserve compared to net budget						7.19%
<b>TOTAL RESERVE BALANCES</b>	<b>(38,875)</b>				<b>4,267</b>	<b>(36,800)</b>
<b>PROVISIONS</b>						
Doubtful Debt	(655)	-	-	-	-	(655)
Fire fighters pension schemes	(759)	-	-	-	30	(729)

## **5. SUMMARY OF REVENUE SPENDING**

- 5.1. At this stage in the year, it is forecast that spending will be £0.497m below the budget figure for 2019-20. In year savings and additional income is providing an opportunity to invest in urgent equipment replacement. At the moment, no recommendations are made as the use of the balance of savings.

## **6. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2019-20**

### ***Monitoring of Capital Spending in 2019-20***

- 6.1. Table 5 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.
- 6.2. At the end of Quarter 3 there is a forecast timing difference of £5.246m against the capital programme of £8.813m along with £0.402m of savings.
- 6.3. **Estates** £3.231m of timing differences are made up of: £0.315m to rebuild Plymstock and removal of a building at Service Headquarters (SHQ), both of which will now be delivered in 2020-21, £0.410m resulting from a delay in the commencement of works at Brixham (demolished December 2019) and £1.570m due to a review of requirements for Camels Head Fire Station. £0.150m is related to Station and SHQ Security which is awaiting the outcome of a review of intruder alarms. £0.304m for works at Bridgwater, tenders are due back in January 2020. £0.210m is for the Cullompton refurbishment as the scheme requirements are going to be revisited. The project to update Wellington will be going out to tender in Quarter 4, causing further timing differences of £0.260m.
- 6.4. **ICT** - replacement of a server will now be deferred following a recommendation by HMICFRS regarding its location, resulting in a forecasted timing difference of £0.173m
- 6.5. **Fleet** – there are rescheduled savings on equipment due to the delay in the delivery of the Medium Rescue Pumps (MRP) resulting from the unavailability of chassis build slots. The MRP's have been ordered and will now be delivered in 2020/21.

**TABLE 5 – FORECAST CAPITAL EXPENDITURE 2019-20**

<b>Capital Programme 2019/20</b>					
<b>Item</b>	<b>PROJECT</b>	<b>2019/20 £000  Revised Budget</b>	<b>2019/20 £000  Forecast Outturn</b>	<b>2019/20 £000  Timing Differences</b>	<b>2019/20 £000  Re- scheduling/ Savings</b>
	<b>Estate Development</b>				
1	Site re/new build	1,117	352	(765)	0
2	Improvements & structural maintenance	3,902	937	(2,781)	(184)
	<b>Estates Sub Total</b>	<b>5,019</b>	<b>1,289</b>	<b>(3,546)</b>	<b>(184)</b>
	<b>Fleet &amp; Equipment</b>				
3	Appliance replacement	1,793	0	(1,793)	0
5	Specialist Operational Vehicles	1,134	1,089	0	(45)
6	Equipment	553	380	0	(173)
7	ICT Department	268	92	(176)	0
8	Water Rescue Boats	46	0	(46)	0
	<b>Fleet &amp; Equipment Sub Total</b>	<b>3,794</b>	<b>1,561</b>	<b>(2,015)</b>	<b>(218)</b>
	<b>Overall Capital Totals</b>	<b>8,813</b>	<b>2,850</b>	<b>(5,561)</b>	<b>(402)</b>
	<b>Programme funding</b>				
	Earmarked Reserves:	4,195	0	(3,793)	(402)
	Revenue funds:				
11	Revenue contribution to capital in year	2,314	546	(1,768)	0
12	Red One contribution to capital	300	300	0	0
	Revenue funds:	2,614	846	(1,768)	0
14	Application of existing borrowing	2,004	2,004	0	0
	<b>Total Funding</b>	<b>8,813</b>	<b>2,850</b>	<b>(5,561)</b>	<b>(402)</b>

**Prudential Indicators (including Treasury Management)**

- 6.6. Total external borrowing with the Public Works Loan Board (PWLB) as at 31 December 2019 stands at £25.491m and is forecast to reduce to £25.444m as at 31 March 2020. This level of borrowing is well within the Authorised Limit for external debt of £27.029m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.
- 6.7. Investment returns in the quarter yielded an average return of 0.85% which outperforms the LIBID 3 Month return (industry benchmark) of 0.66%. Investment returns surpassed the original budgeted level so the budget has been set at a more ambitious level for the rest of the financial year.

6.8. Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2019-20, which illustrates that there is no anticipated breach of any of these indicators.

**7. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS**

***Aged Debt Analysis***

7.1. Total debtor invoices outstanding as at Quarter 3 were £740,798, table 6 below provides a summary of all debt outstanding as at 31 December 2019.

7.2. Of this figure an amount of £666,470 (£645,011 at Quarter 2) was due from debtors relating to invoices that are more than 85 days old, equating to 78.73% (80.5% at Quarter 2) of the total debt outstanding.

**TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER**

	<b>Total Value £</b>	<b>%</b>
Current (allowed 28 days in which to pay invoice)	105,773	12.49%
1 to 28 days overdue	36,841	4.35%
29-56 days overdue	2,350	0.28%
57-84 days overdue	35,137	4.15%
Over 85 days overdue	666,470	78.73%
<b>Total Debt Outstanding as at 31 December 2019</b>	<b>846,571</b>	<b>100.00%</b>

7.3 Table 7 below provides further analysis of those debts in excess of 85 days old.

**TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS**

	<b>No</b>	<b>Total Value</b>	<b>Action Taken</b>
Red One Ltd	45	£639,227	A repayment plan has been agreed with the subsidiary company following its revised business plan.
Various	14	£27,244	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

APPENDIX A TO REPORT RC/20/7

**PRUDENTIAL INDICATORS 2019-20**

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		2.850	8.813	(5.246)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.556	26.556	(0.000)
- Borrowing		25.444	25.444	
- Other long term liabilities		1.112	1.112	
External borrowing vs Authorised limit for external debt - Total		26.556	26.847	(0.291)
- Borrowing		25.444	25.637	
- Other long term liabilities		1.112	1.209	
Debt Ratio (debt charges as a %age of total revenue budget)		3.86%	5.00%	(1.10)bp
Cost of Borrowing – Total		1.081	1.081	(0.000)
- Interest on existing debt as at 31-3-19		1.081	1.081	
- Interest on proposed new debt in 2019-20		0.000	0.000	
Investment Income – full year		0.272	0.201	(0.071)
		Actual (30 Dec 2019) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.85%	0.66%	(0.19)bp
Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2020) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00%)
Maturity structure of borrowing limits				
Under 12 months	0.37%	30.00%	0.00%	(29.63%)
12 months to 2 years	2.32%	30.00%	0.00%	(27.68%)
2 years to 5 years	5.66%	50.00%	0.00%	(44.34%)
5 years to 10 years	13.52%	75.00%	0.00%	(61.48%)
10 years and above	77.76%	100.00%	50.00%	(22.24%)
- 10 years to 20 years	12.92%			
- 20 years to 30 years	13.71%			
- 30 years to 40 years	51.13%			
- 40 years to 50 years	0.00%			